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ORIGIN EB-08

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 ISO-00 NEA-11
DODE-00 COME-00 INT-05 GSA-02 TRSE-00 OMB-01
CIAE-00 INR-10 NSAE-00 /080 R

DRAFTED BY EB/ISM:WLENAHAN:CJB
APPROVED BY EB/ISM:ROGDEN
-----020669 221813Z /72

R 221432Z JUN 78
FM SECSTATE WASHDC
TO AMEMBASSY LONDON
AMEMBASSY BANGKOK
AMEMBASSY BONN
AMEMBASSY CANBERRA
AMEMBASSY JAKARTA
AMEMBASSY KINSHASHA
AMEMBASSY KUALA LUMPUR
AMEMBASSY LAGOS
AMEMBASSY LA PAZ
AMEMBASSY PARIS
AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EMIN, ITC

SUBJECT:FIFTH MEETING OF THE ITC'S ECONOMIC AND PRICE
REVIEW PANEL

1. SUMMARY: THE INTERNATIONAL TIN COUNCIL'S ECONOMIC AND
PRICE REVIEW PANEL (EPRP) MET IN BANGKOK JUNE 12-16 TO CON-
SIDER THE CURRENT TIN SITUATION AND TO ATTEMPT TO MAKE REC-
OMMENDATIONS ON THE APPROPRIATENESS OF THE CURRENT PRICE
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RANGE FOR CONSIDERATION BY THE COUNCIL AT ITS PLENARY SES-
SION IN JULY. WHILE ALL SEVEN TIN PRODUCING MEMBERS WERE
REPRESENTED AT THE MEETING, ONLY FOUR CONSUMERS--THE U.S.,
JAPAN, FRG AND BELGIUM--WERE REPRESENTED, WITH THE FRG AND
BELGIUM REPRESENTED BY LOCAL EMBASSY REPS WHO PARTICIPATED
ONLY MINIMALLY IN THE MEETING. DESPITE EXTENSIVE DEBATE,
THE PANEL WAS UNABLE TO AGREE ON CONCLUSIONS CONCERNING THE

APPROPRIATENESS OF THE CURRENT PRICE RANGE AND THE PRICE RANGE ISSUE WAS REMITTED FOR CONSIDERATION BY THE COUNCIL IN JULY.

2. PRODUCERS POSITION: SINCE THE LAST MEETING OF THE EPRP IN DECEMBER 1977, PRODUCERS HAVE INSISTED ON A M\$200 INCREASE IN THE ITC PRICE RANGE I.E. FROM M\$1,200 TO M\$1,400 PER PIKUL AT THE FLOOR AND FROM M\$1,500 TO M\$1,700 AT THE CEILING. PRODUCERS CAME TO THIS PANEL MEETING PREPARED TO ARGUE THAT THEIR PREVIOUS REQUEST HAS BEEN MADE INADEQUATE BY RECENT INCREASES IN COSTS OF PRODUCTION AND THAT THE PANEL SHOULD AGREE TO AN EVEN LARGER INCREASE IN THE PRICE RANGE. THEY PROPOSED A NEW FLOOR PRICE OF M\$1,500 AND A NEW CEILING PRICE OF M\$1,900 PER PIKUL. IN DEFENSE OF THEIR REQUEST THEY SUBMITTED COST DATA PURPORTING TO SHOW THAT THEIR WEIGHTED AVERAGE PRODUCTION COSTS HAD INCREASED BY 31 DURING THE PAST YEAR AND THAT 51 OF ALL ITC TIN IS NOW PRODUCED AT COSTS IN EXCESS OF THE CURRENT FLOOR PRICE. HOWEVER, THE PRODUCERS ARGUMENT WAS CONSIDERABLY WEAKENED BY THE FACT THAT THE CLAIMED INCREASE WAS MAINLY ATTRIBUTABLE TO A 47 INCREASE IN MALAYSIAN DREDGING COSTS AND A 37 INCREASE IN MALAYSIAN GRAVEL PUMP COSTS WHICH THE MALAYSIAN DELEGATION WAS UNABLE TO ADEQUATELY EXPLAIN IN LIGHT OF AN OTHERWISE STABLE ECONOMY IN MALAYSIA IN 1977.

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3. OTHER PRODUCERS' PRESENTATIONS ON COST INCREASES WERE EQUALLY WEAK. THE BOLIVIANS WERE BEST ABLE TO DEFEND THEIR COST INCREASES AS A CONSEQUENCE OF DOMESTIC INFLATION, BUT BOTH INDONESIA AND THAILAND WERE UNABLE TO PROVIDE DETAILED EXPLANATION OF THEIR RECENT COST INCREASES. NONE OF THE PRODUCERS WERE WILLING TO DISCUSS THE IMPACT OF AD VALOREM TAXES ON COST OF PRODUCTION, EVEN THOUGH TAX REVENUE INCREASED BY OVER 50 IN MALAYSIA AND FROM 76-117 IN THAILAND IN 1977.

4. THE PRODUCERS ONLY OTHER ARGUMENT FOR THEIR PRICE RANGE INCREASE REQUEST WAS THAT CURRENT HIGH PRICES REPRESENT A TREND AND THAT THE ITC SHOULD BRACKET THAT TREND. TO BOLSTER THIS ARGUMENT, THEY PRESENTED REVISED PRODUCTION ESTIMATES INDICATING THAT PRODUCTION IS INCREASING AT CURRENT PRICE LEVELS AND THERE ARE PROSPECTS FOR A BALANCE BETWEEN SUPPLY AND DEMAND IN 1979. THEY IGNORED, HOWEVER, THE PROJECTION OF DECLINING WORLD CONSUMPTION AT CURRENT PRICES AND REJECTED ANY CONSIDERATION OF THE POSSIBILITY OF PRICE MODERATION ONCE A BALANCE IS STRUCK BETWEEN SUPPLY AND DEMAND.

5. CONSUMER DISCUSSION CENTERED ON THE UNCERTAIN STATISTICAL SITUATION, I.E., REVISED COUNTRY SUBMISSIONS SHOWING INCREASED PRODUCTION AND DECLINING CONSUMPTION WHICH HAVE COMBINED TO DECREASE THE SUPPLY-DEMAND GAP FROM 19,000 MT IN DECEMBER 1977 TO THE APPROXIMATELY 7,000 MT GAP CURRENTLY PROJECTED FOR 1978. (THE ITC STATISTICIAN HAS PRIVATELY ADVISED US THAT HE BELIEVES THAT PRODUCERS HAVE BLOATED THEIR PRODUCTION ESTIMATES IN ORDER TO ARGUE FOR NO GSA TIN DISPOSALS IN 1978). CONSUMERS ALSO QUESTIONED THE MAGNITUDE OF PRODUCTION COST INCREASES AND LACK OF DETAILED EXPLANATION OF THESE INCREASES BY PRODUCERS.

6. AFTER PROTRACTED DEBATE, CONSUMERS AND PRODUCERS COULD NOT AGREE ON A RECOMMENDATION. PRODUCERS CONTINUED TO PUSH LIMITED OFFICIAL USE

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FOR A CONSENSUS RECOMMENDATION TO INCREASE THE FLOOR PRICE BY M\$300 AND THE CEILING PRICES BY M\$400. CONSUMERS ARGUED THAT, IN VIEW OF THE UNCERTAIN STATISTICAL SITUATION AND THE LACK OF DETAILED EXPLANATION OF LARGE PRODUCTION COST INCREASES, EACH COUNTRY SHOULD UPDATE ITS STATISTICAL REPORT SO THAT THE COUNCIL COULD DECIDE THE PRICE RANGE ISSUE IN JULY ON THE BASIS OF IMPROVED INFORMATION. IN THE END, PRODUCERS AND CONSUMERS HAD THE CHOICE OF SUBMITTING SPLIT RECOMMENDATIONS TO THE COUNCIL (AS WAS DONE AT THE DECEMBER 1977 EPRP MEETING) OR OF ADVISING THE COUNCIL THAT THERE WAS NO PANEL CONSENSUS ON THE PRICE RANGE ISSUE. THE LATTER COURSE WAS EVENTUALLY CHOSEN AND THE PANEL CONCLUDED THAT IT WAS UNABLE TO REACH A CONSENSUS AS TO THE APPROPRIATENESS OF THE CURRENT PRICE RANGE.

7. COMMENT: ACCORDING TO SOME PRODUCERS, MODESTATE PRODUCERS (INDONESIA, THAILAND, AUSTRALIA) FAVORED THE "LACK OF CONSENSUS" FORMULA OVER SPLIT RECOMMENDATIONS BECAUSE 1) A SPLIT RECOMMENDATION COULD BE CONSTRUED TO BE CONFRONTATIONAL, AND 2) OTHER PRODUCERS DID NOT WANT BOLIVIA TO ASSUME THAT THEY WERE COMMITTED TO DEFEND A M\$1,500 FLOOR PRICE ON AN ALL-OR-NOTHING BASIS. ACCORDING TO THESE SOURCES, MOST PRODUCERS ARE WILLING TO COMPROMISE ON A SMALLER FLOOR PRICE INCREASES WHEREAS BOLIVIA WILL OPPOSE ANY FLOOR PRICE BELOW M\$1,500. THESE SAME SOURCES INDICATE THAT IN THE PRODUCER CAUCUS, BOLIVIA ARGUED FOR A M\$2,00-2,500 PRICE RANGE BUT WAS REBUFFED BY OTHER PRODUCERS. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETINGS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 22 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE158743
Document Source: CORE
Document Unique ID: 00
Drafter: WLENAHAN:CJB
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780260-1190
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780630/aaaaazpq.tel
Line Count: 164
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 86283a83-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2245036
Secure: OPEN
Status: NATIVE
Subject: FIFTH MEETING OF THE ITC'S ECONOMIC AND PRICE REVIEW PANEL
TAGS: EMIN, ITC
To: LONDON BANGKOK MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/86283a83-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014